

ACCESS

T B L M A R K E T I N G B I - M O N T H L Y

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In This Issue page

- Transmission rates and tariff settle1
- "Reliability and the future of transmission costs" process closes3
- Rush of generating projects strains approval process4
- RTO West moving quickly to develop initial structure5
- Market drives creation of new hub6
- Summer construction challenges crews7
- Account exec leaves TBL8

One of many TBL summer construction projects. Construction foreman Jerry Downing and substation operator Don Holte inspect gas puffer breakers at Sickler Substation.

Transmission rates and tariff settle

It's settled. A final rate case and terms and conditions case settlement agreement was signed by customers and the Transmission Business Line that will save time and resources, while allowing the region to move on to the important business of forming a regional transmission organization.

The settlement for fiscal years 2002-03 transmission and ancillary services rates was agreed to April 20, contingent on a regional agreement of the terms and conditions of TBL's open access transmission tariff by June 20. With both rates and tariff now settled, the result includes prices lower than those in TBL's initial proposal released in March and an open access tariff that is as similar as practicable to the Federal Energy

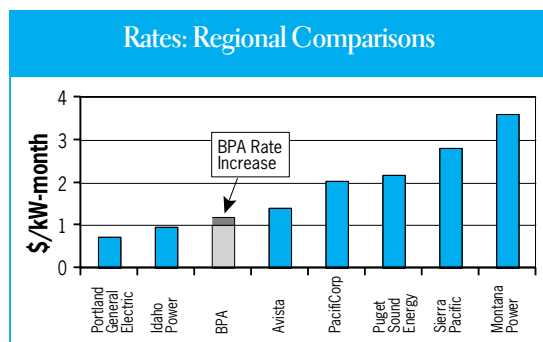


continued on page 2

Transmission rates and tariff settle

continued from page 1

Regulatory Commission's pro forma open access tariff, given regional conditions and needs. Like the FERC tariff, TBL's open access tariff is designed to facilitate non-discriminatory open access for power markets.



Even with an increase in FY 2002-03, TBL's rates will still be among the lowest in the Northwest.

The successful settlement allows all parties to avoid additional legal and public process costs generally associated with any formal proceeding. In addition, it establishes transmission rates and tariffs in plenty of time for customers to complete their subscription process with BPA's Power Business Line.

"This is timely. The rate case schedule, FERC's requirement to submit an RTO proposal by October and the power subscription process were all moving along on nearly the same timeline," said Chuck Meyer, TBL vice president of Marketing and Sales. "Each requires considerable time and resources for the parties. So, this settlement allows the region to more quickly move on to the other considerations."

The final rate settlement cut price increases by 15 percent to as much as 66 percent of TBL's initial proposal March 15 (see graph). Each service must also include the two required ancillary service rates, scheduling dispatch control and dispatch service,

and reactive supply and voltage control from generation sources service.

In addition to agreeing to adopt the FERC pro forma tariff almost in its entirety, the parties found a way to economically accommodate system power purchases under the Point to Point tariff. Among other benefits, using the existing PTP service for system power sales means the TBL will not have to develop new automated systems to support a new tariff service.

"All in all, we're providing services customers have been asking for while also keeping prices as low as possible," Meyer said. "Balance that with the need to make system reliability improvements and I think TBL and Northwest constituents have come up with a good package."

The tariff agreement contains several unique provisions, said Dennis Metcalf, TBL manager of rates and tariffs. For congestion management for the 2002-2003 period, the PBL agreed to a limited uncompensated redispatch of Federal hydropower resources; thereafter, TBL would go to pro rata curtailments.

"Transmission customers will benefit from the PBL's redispatch of Federal resources to maintain transmission system stability at no cost to them," Metcalf said. "This also results in a considerable savings of time and resources for TBL because it will not have to develop new congestion management systems."

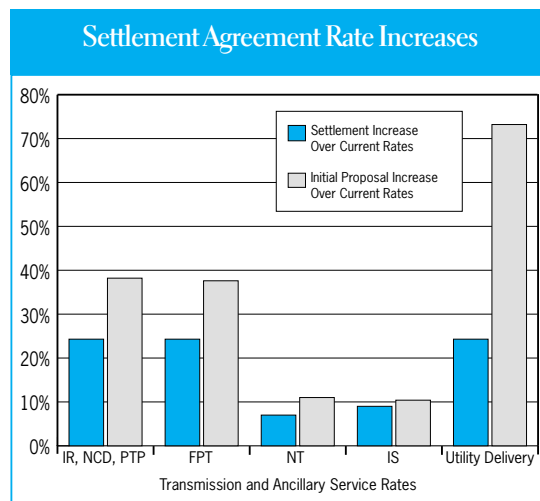
The tariff also includes a provision for payments for the use of third-party facilities to serve GTA customers. It provides that customers with pre-Order 888 agreements (including those converted to open access transmission service) may exercise roll-over rights – rights of first refusal to transmission capacity used to serve their loads – when their current

contracts expire. For other service agreements, the settlement provides business practices for the transition from TBL's current tariff to the proposed roll-over provisions in the settled tariff.

The settlement also provides business practices for the two-year rate period that include:

- Waiving deposits for customers who meet creditworthiness criteria;
- General criteria for self-supplying energy imbalance requirements;
- Continuing the Contiguous Point of Delivery policy as a business practice rather than as a part of a service agreement;
- Treating deferred long-term firm PTP service as unconditional except when the customer requests an extension of the Service Commencement Date.

The rates and tariff become effective Oct. 1, 2001 and are scheduled to remain in place until superseded. However, the RTO may start up by Dec. 15, 2001, less than three months after the rates and tariff effective date. How BPA's rates and tariff will be affected by the birth of a Northwest RTO is yet to be seen.



For more information on the FY 2002-03 rate case and terms and conditions case settlement, log onto the Internet and point your browser to <http://www.transmission.bpa.gov/tblib/RateCase/default.htm>. To order documents, call 1-800-622-4520.

"Reliability and the future of transmission costs" process closes

Bonneville Power's Administrator Judi Johansen closed out a public process on spending levels the Transmission Business Line had begun in November 1999. She delivered in early July a letter to customers and participants, along with documentation describing the process and the final decisions that determined the level of expense, capital and fiber optic spending for fiscal years 2002-2003.

"THE SYSTEM IS NEAR CAPACITY AND SIGNIFICANT CONSTRAINTS COULD BEGIN TO AFFECT OPEN ACCESS TO THE SYSTEM."

**JUDI JOHANSEN,
BPA ADMINISTRATOR**

The process began in November 1999, when TBL vice presidents presented the organization's proposed capital, expense and fiber optic program levels for fiscal 2002-03 at five regional workshops. Two more workshops were added in February when customers asked for more detail. Those were held in Portland.

"In the course of those workshops, TBL made changes to its spending proposals while maintaining the program level required to operate a reliable transmission system and still be responsive to the new challenges of a competitive marketplace," Johansen wrote in her letter closing the public process.

TBL had significantly cut its capital and expense spending over the past five years. During those years, TBL controlled its spending through management and efficiency efforts. It cut back significantly on transmission upgrades and expansions and relied on technology, such as shunt capacitors, more remedial action schemes and other low cost fixes, to exploit the existing margin in the transmission

system. However, it demonstrated at the public workshops that issues facing the transmission industry will require more spending.

"This technology allowed us to absorb growth while still maintaining reliability, but while doing so we accepted more risk and pushed the system harder," Johansen wrote. "Due to growth and open access, that margin is now gone. The system is near capacity and significant constraints could begin to affect open access to the system."

She added that the TBL must look at ways in the coming years to bolster the Northwest transmission network in order to maintain a sufficiently reliable system.

Factors driving spending increases are regional load growth, a heightened and mandated level of transmission reliability, costs of separating the power merchant function from transmission, transfer of generation input costs for ancillary services from the Power Business Line to TBL customers. Succession planning due to anticipated retirements over the next five years, and mandated payments into the Civil Service Retirement account also drive future costs.

"TBL IS FACING SOME CRITICAL ISSUES AS TO RELIABILITY, SUCCESSION PLANNING AND COMPENSATION, AND THE TBL CAPITAL AND EXPENSE BUDGETS FOR FY2002-03 REFLECT ITS DECISIONS."

**JUDI JOHANSEN,
BPA ADMINISTRATOR**

At the November meetings, TBL had proposed an average annual expense budget of \$334.8 million for fiscal 2002-03. However, based on discussions with customers and TBL's own internal review, the February

workshops included an expense budget that had dropped about \$15 million to \$319.3 million. Likewise, TBL's capital budget was adjusted downward by \$1.2 million to about \$246 million.

Also covered in the public meetings was a discussion of TBL's fiber optic program, but that process ended in January so that TBL could submit a fiber report to Congress. All federal power marketing administrations were required to submit such a report by April. The final report is now available at TBL's web site.

ONCE AGAIN, THE NORTHWEST ENERGY COMMUNITY HAS COME TOGETHER TO HELP WORK THROUGH THESE DIFFICULT ISSUES.

Information derived from customers at these workshops helped the TBL set the spending level that was included in TBL's initial rate proposal in March. A transmission rates and tariffs settlement was ratified by customers June 20 and finalized July 12.

"TBL is facing some critical issues as to reliability, succession planning and compensation, and the TBL capital and expense budgets for FY2002-03 reflect its decisions," Johansen said. "In turn, those decisions are partially crafted by customer and constituent input. Through this process our customers have helped us both to hone our budgets and to understand alternatives that are available to us."

Once again, the Northwest energy community has come together to help work through these difficult issues, she said.

The Administrator's letter, along with specific information on expense, capital and fiber issues are available on the Internet at TBL's web site: <http://www.transmission.bpa.gov>.

Rush of generating projects strains approval process

Some are a gleam in the developer's eye, others are on the drawing board, and two are under construction. Wherever and whenever developers build new electric generating plants, they will need transmission services to deliver their power to market.

Over the past two years, developers of fifteen potential generating projects totaling nearly 9,000 megawatts of power have approached the Transmission Business Line for assurance that if they build, transmission will be available.

Most projects are the highly efficient combined-cycle natural gas combustion turbines that set up shop in convenient locations where gas transmission and high voltage electric transmission cross. More and more these days, however, the requests are coming from developers of green generation, such as wind power and geothermal power plants, that will be built where the best wind or geothermal resources are located, which could be far from the nearest transmission line.

Wherever and whenever the generation is proposed to come on line, TBL works with the developer to determine how to fit the new generating station into its Northwest transmission system and at what cost. The 15 projects under consideration are either in the construction stage, in the process of getting permits and lining up funds, under study or simply looking at the feasibility of siting.

It is no wonder that electric generating developers are responding in such numbers, said TBL account executive Mike Raschio.

"We're getting short on resources, the price of power is up considerably and, as load grows, developers could be planning to get a share of the public utility business," he said. "There is definitely a larger interest in developing more power and all these projects are competing to be first in line."

As recently as February, policymakers at the "Keep the Lights On" conference in Portland, spent a day looking at reasons and solutions for what they called an impending system reliability problem that included a need

But the rush of projects is coming faster than ever before — five new projects have been proposed in the past month — and the backlog of studies and the time it will take to complete those studies is getting longer.

"It has been normal for us to get one or two transmission requests per year from generators," Raschio said. "But we now have a backlog of system impact studies and because of the heavy workload, it could take us six to 12 months or more from request to completion of studies and agreements."

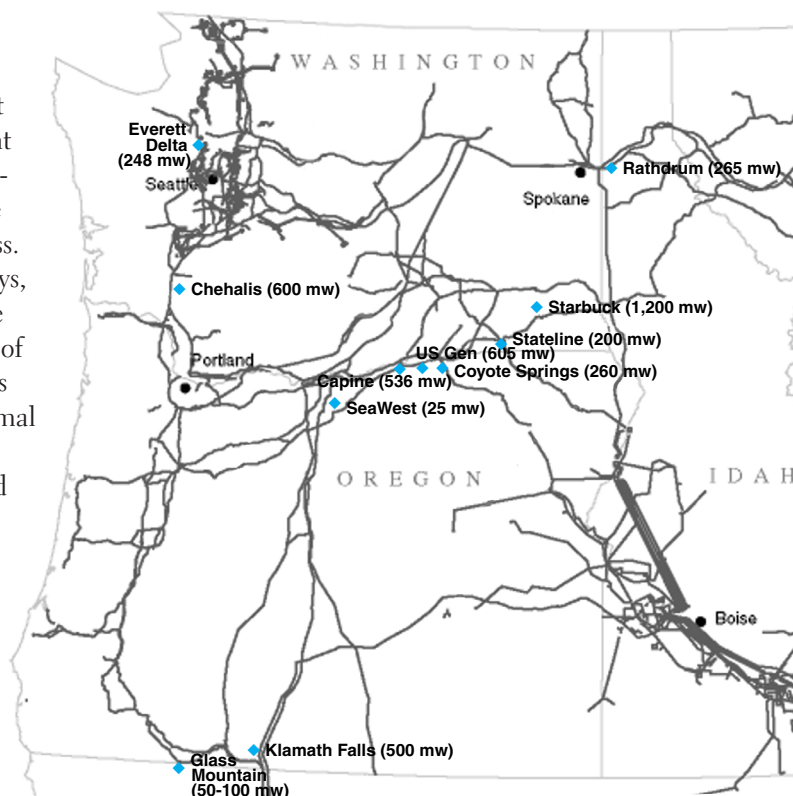
He said past requests were generally for large generating stations, but, with a couple of exceptions, today's requests fall into the smaller 250 MW to 500 MW range and they are located all over the system (see map). Some are even smaller, such as SeaWest's request for a 24.9 MW windfarm near Condon, Ore. or 50 MW to 100 MW at the proposed Glass Mountain geothermal plant in northern California.

Two projects are under construction: the 500 MW combined-cycle gas plant near Klamath Falls, Ore. and the 265 MW gas plant at Rathdrum, Id. Others have made transmission

requests and are working on construction and interconnection agreements.

The most surprising change in transmission requests is from green-power generators who are anticipating a large demand for environmental- and salmon-friendly power in the Northwest. In addition to the Condon facility, SeaWest says it has options on land in the Northwest that could accommodate 300 MW to 500 MW

continued on page 5



for additional transmission resources, but also saw a large need for more generating resources. Speakers from the western United States described a situation in which electric deregulation, population and industrial growth, the de-rating of federal dams due to Endangered Species Act concerns and the de-rating of transmission due to new reliability rules have pushed the Northwest power and transmission system to its limits.

Rush of generating projects strains approval process

continued from page 4

more wind generation. On top of that, FPL Energy has asked for transmission for a 200 MW to 300 MW Stateline project, an expansion of its 24.6 MW Vansycle Ridge project.

Raschio said some projects under consideration will be built and some won't. However, each project when followed through to a conclusion requires a number of studies, including environmental impact studies under the National Environmental Policy Act, and quite a lot of work to complete contracts. That work includes reimbursable system impact, facility and EIS studies. It may require a transmission contract, construction and operation and maintenance contracts on interconnection facilities and, finally, an interconnection agreement.

"We'll know in the next three to five years how many of these resources will actually follow the course all the way through to completion," Raschio said. "But, at the rate new projects are popping up, it looks like TBL will be working overtime to get them all through the pipeline."

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Send your letters and comments to your account executive or to "Access: Letters to the Editor," Bonneville Power Administration, Transmission Business Line – T-Dittz, P.O. Box 491, Vancouver WA 98666; e-mail: skblair@bpa.gov

RTO West moving quickly to develop initial structure

Northwest regional transmission organization design and development is being pushed along quickly enough that participants are anticipating filing a Northwest plan in time to meet the Federal Energy Regulatory Commission's Oct. 15 deadline.

Eight work groups reported in late June to RTO West's Regional Representatives Group that for the most part their research and analysis work will be done by the end of July. That gives the RRG, which makes policy decisions for the RTO, the time it will need to produce the RTO filing document.

"This is a public process that is working well...very well...and on time to keep up with the ambitious schedule for completing our filing to FERC," said Peggy Olds, RTO project manager for the TBL. "Already we have determined much about RTO West's make-up and are well on our way to having all the information we'll need to put our filing together."

She said the filing utilities have already decided a number of things through the collaborative process. Deciding that the structure most beneficial for Northwest participants would be a non-profit independent system operator is one. Under this structure, the RTO would operate and schedule transmission access to transmission systems of participating utilities, but would not actually own those facilities.

An initial list of principles designed to guide the RTO's development will ensure that the RTO is formed so that there are benefits for all participants. Those principles call for an RTO that enhances reliability, sustains customer benefits, promotes open bulk power markets, offers incentives for reliability and efficiency, mitigates the financial impacts to BPA bondholders and the U.S. Treasury, preserves treaty obligations, has a sustainable financial structure, accommodates utilities in remote areas and includes public involvement.

The newest of the work groups was formed specifically to look at what the benefits and costs of an RTO should be regarding regional reliability and new energy markets. That group is co-chaired by TBL vice president Vickie VanZandt and Phil Carver of the Oregon Office of Energy.

At this point, the parties agree that the ISO structure, along with the principles, will benefit the Northwest power market and facilitate non-discriminatory open access, resulting in greater competition and improved market performance. It will eliminate pancaked rates, which is the practice of adding on fees as power moves through control areas. It will result in market signals that encourage better use of transmission capacity. It will improve congestion management and guide regional investments in generation and transmission facilities. And, it will improve regional transmission system reliability, as well as result in efficiencies in scheduling, planning and administration.

RTO West will schedule and charge access to transmission owned by participating members as well as coordinate with surrounding transmission organizations. An area targeted for coordination efforts are the Canadian provinces of British Columbia and Alberta. Some Canadian electric utilities have asked to join RTO West, so the organization has formed a Canadian-U.S. adjunct committee to address integration of Canadian transmission facilities into the RTO.

"The goal of the adjunct committee is to ensure the RTO's impact on our Canadian counterparts is positive," Olds said. "We want to make sure it not only enhances electricity transmission and reliability, but that it also results in trade opportunities."

The process to develop RTO West and the Northwest RTO proposal to FERC is public and ongoing. The best way to keep up with this fast-moving process is to log onto the Internet and point your browser to www.rtowest.org.

Market drives creation of new hub

The growing market in electricity and electricity futures is driving the creation of a new transmission hub in the mid-Columbia River area. The Northwest Market Hub is expected to provide electricity marketers a convenient and flexible transaction environment in the Pacific Northwest, similar to the COB Hub on the California/Oregon border.

Marketers approached Transmission Business Line account executives nearly two years ago asking that TBL create a more robust marketing hub near Wenatchee, Wash., that would be the equal of COB. After removing legal and scheduling barriers, TBL is now ready to open the new Northwest hub, giving marketers the boost they have been asking for.

Beginning July 31, the TBL will accept transmission schedules for delivery on Aug. 1 at Northwest Market Hub. At that time, Northwest marketers will be able to transmit energy into the hub, buy and sell it within the hub and transmit energy out of it.

"A market hub is a means to provide a very liquid energy sales environment," said Kip Moxness, TBL account executive, who has been working with account executives Al Paschke and Sally Long, along with Chuck Meyer, TBL vice president of Marketing and Sales, to get the NWH up and running. "It also opens the door for the electricity futures market that has been put into place by NYMEX."

In addition, the New York Mercantile Exchange has futures markets at COB and at the Palo Verde Hub in Arizona.

A market hub is a point or group of points on the transmission system where transactions take place. The COB location is not as convenient for the Northwest market, Moxness said. So, the creation of this new hub in

central Washington will increase marketers' flexibility and ability to complete transactions in the Northwest using BPA's transmission system. It will also facilitate NYMEX futures trading and, potentially, it may even reduce transmission costs because control area fees or additional scheduling fees or charges are not levied on marketers for transactions within the NWH.

**"THE MORE OPTIONS, THE
GREATER THE FLEXIBILITY FOR
MARKETERS AND THE BETTER
THEIR BUSINESS."**

KIP MOXNESS

TBL ACCOUNT EXECUTIVE

TBL is placing the NWH in the mid-Columbia River area, which is already a hotbed of power trading activity. It will consist of five Bonneville Power Administration substations located in the area of five large mid-Columbia River non-federal dams. Chelan PUD currently has a blind auction market hub with APX in the area, but for the Northwest hub, TBL will be the control area.

Dick Haines, TBL transmission marketing said TBL needed to work out some final details and legal issues in order to open the hub by August. One was for TBL to increase its capability to create accounts for each transaction by making enhancements to the Realtime Operating Dispatch Scheduling system. That work was completed in April, giving RODS the ability to build more accounts and expand its realtime account building capabilities.

In addition, all transactions at the Hub will require tagging. Electronic tags track each transmission schedule from source to sink — power generator to power user — no matter how

many times energy changes hands along the way. Today, power marketers may buy, sell and resell a single transaction many times. E-tags assure that all parties can be identified immediately and that responsibilities are clear. The information provides a definition of the transaction path by including source control area, sink control area, intermediate control area, transmission provider and the product (degree of firm or non-firm).

There is a lot about the new hub that will benefit power marketers. Not only does it have the potential for savings, but also transactions through the hub are treated confidentially as are all other transactions through the BPA transmission system. But, more than any advantage, the NWH provides marketers with another option that assists them in selling their product, according to Moxness. "The more options, the greater the flexibility for marketers and the better their business," Moxness said.

However, according to Haines, it will also put pressure on TBL scheduling resources.

"We expect a rapid increase in transactions at the location once the hub is up and running," Haines predicted. "I don't know for sure what the increased volume will be, but from the number of parties asking for this, there could be as many as 500 more transactions per day at the hub depending on how customers view its benefits."

TBL took public comment on its proposal for the marketing hub in June and closed the comment period July 5. Customer comments have been folded into the plan, which is available, along with the rules on participation, at BPA's open access same time information system web page on the Internet.

Summer construction challenges crews

While many of us are thinking about summer vacation, transmission construction crews are lining up equipment and stowing parts in their trucks so they can head to remote areas to build, repair or upgrade Northwest transmission facilities.

Crews make planned system improvements to help relieve congested bottlenecks or improve reliability when rains subside and weather is at its best. In the Northwest, that's summer.

CREWS MAKE PLANNED SYSTEM IMPROVEMENTS TO HELP RELIEVE CONGESTED BOTTLENECKS OR IMPROVE RELIABILITY WHEN RAINS SUBSIDE AND WEATHER IS AT ITS BEST. IN THE NORTHWEST, THAT'S SUMMER.

Of the twenty-some projects planned this summer, all are important to customers and Northwest power system operations. Some are typical projects like those that crews complete every year. Others are multi-year projects that are just starting or just finishing this year. Still, another type is challenging Northwest crews to complete work in record time to accommodate the schedule of a quick-build power plant.

Several of the latter types of requests have crews scrambling and, according to Mike Johns, project management leader at the Bonneville Power Administration, the projects could be indicative of both changes in the electric utility industry and with the shape of Northwest power generation stations in the near future.

Cogentrix and Avista are building a 265 megawatt combined-cycle natural gas combustion turbine at Rathdrum in northern Idaho. The power plant is

being placed where gas and electric transmission corridors are near by, but it will still need facilities to integrate it into the transmission system.

"This project is on a very accelerated schedule," said Johns. "It is illustrative of the changes in our industry where once the generating facility is planned, it is built very quickly. So we have to be able to build our facilities quickly, too. It's a challenge."

He said two other projects will soon result in similar accelerated schedules. One is Calpine's 536 MW plant near Hermiston, Ore. and another is Tractabel's 600 MW turbine near Chehalis, Wash. Both are natural gas turbines that, once power sales contracts and siting permits are inked, will require the TBL to move along at a pace much quicker than that of the older large-scale generators that could take as long as 10 years to build from the drawing board to generating kilowatts.

A more typical construction project is the upgrade of a 115-kilovolt line between Hood River and The Dalles, both in Oregon. In that project, crews already are replacing

conductor and wooden structures that were first put into place in 1941. Another planned project is along the upper Wilson River in Tillamook

THE PROJECTS COULD BE INDICATIVE OF BOTH CHANGES IN THE ELECTRIC UTILITY INDUSTRY AND WITH THE SHAPE OF NORTHWEST POWER GENERATION STATIONS IN THE NEAR FUTURE.

County, Ore., where roads and bridges will be repaired or replaced so that repair crews in the future will have better access to the structures in case of outages.

continued on back page



A Pasco, Wash. transmission line maintenance crew attaching insulators to a wooden structure south of Dayton, Wash.

photo by Bill Ericksen, Walla Walla District

Summer construction challenges crews

continued from page 7

Crews also are working at Decatur Island in Washington's San Juan Islands replacing and upgrading wood transmission poles in preparation for replacing an undersea 69 kv cable next year. BPA owns the cable which has failed and needs to be replaced.

From below sea level to high in the Idaho and Wyoming mountains, crews will use, among other equipment, helicopters to build a second line over Teton Pass. At over an 8,500 foot elevation, it is the highest transmission line in BPA's system. With a short construction season, this project actually began last year when TBL

crews widened the existing right-of-way and built some roads and bridges.

A series of capacitor projects will target voltage instability in the region. Crews will install 230 kv, 168 MVAR shunt capacitors in BPA substations at Alvey, Celilo, Chemawa, Carlton, Grandview, Marion and Tacoma.

"Some of the capacitor projects are for additional capacity and reliability, while others will give us better reliability in the Portland area," Johns said. "But some replacements are also for environmental clean-up."

These and nearly twenty more projects will keep TBL construction crews busy this summer. While some are routine, all challenge crews to complete the work on time and especially before rain stops work in its muddy tracks.

Account executive leaves TBL

Account executive Sue Furst left the Transmission Business Line in early July to work for the Public Power Council. Furst worked with TBL customers in eastern Oregon and Idaho.



According to Ruth Bennett, sales and customer service sales manager, a replacement should be named by mid-summer. Until then, customers who need service and support can call Bennett at (360) 418-2940.

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